MOTION FILED

MAR 6 2003

(2)

No. 02-1142

IN THE

Supreme Court of the United States

TY INC.,

Petitioner,

v.

RUTH PERRYMAN,

Respondent.

On Petition For a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

MOTION FOR LEAVE TO FILE AND BRIEF OF AT&T CORP. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

LAURA A. KASTER
FRANK L. POLITANO
MICHELE A. FARBER
AT&T CORP.
One AT&T Way
Bedminster, N.J. 07921
(908) 532-1860

CARTER G. PHILLIPS
ALAN CHARLES RAUL*
JOSEPH V. JEST
EDWARD R. MCNICHOLAS
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

Counsel for Amicus Curiae

* Counsel of Record

March 6, 2003

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

26 pp

IN THE

Supreme Court of the United States

No. 02-1142

TY INC.,

Petitioner,

v.

RUTH PERRYMAN,

Respondent.

On Petition For a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

MOTION OF AT&T CORP. FOR LEAVE TO FILE BRIEF AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

Pursuant to Rule 37.3 of the Rules of this Court, AT&T Corp. ("AT&T") hereby requests leave to file this brief as an *amicus curiae* in support of the Petitioner. Petitioner Ty, Inc. has consented to this brief as well as all other briefs offered by potential *amici*. Respondent Ruth Perryman has, however, withheld her consent from the filing of this brief in support of the Petition.

AT&T offers this brief because it believes that the decision below seriously threatens to erode the existing antidilution protections for famous marks. AT&T has spent more than a century and hundreds of millions of dollars building one of the world's most recognized and trusted brands for telecommunications. The decision below threatens to erode

the value of this massive investment and to deprive consumers of confidence in the meaning of all famous marks.

AT&T offers this brief to explain the violence that the decision does to the rights Congress accorded owners of famous trademarks and to identify several of the well-settled principles that the Seventh Circuit's decision upsets. By placing this case into its broader context, AT&T desires to assist the Court's resolution of this Petition and thus respectfully requests leave to file this brief.

For the foregoing reasons, the motion of AT&T for leave to file this motion as an *amicus curiae* in support of the Petitioner should be granted.

Respectfully submitted,

LAURA A. KASTER
FRANK L. POLITANO
MICHELE A. FARBER
AT&T CORP.
One AT&T Way
Bedminster, N.J. 07921
(908) 532-1860

CARTER G. PHILLIPS
ALAN CHARLES RAUL*
JOSEPH V. JEST
EDWARD R. MCNICHOLAS
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

Counsel for Amicus Curiae

* Counsel of Record

March 6, 2003

TABLE OF CONTENTS

	Page
TABLE OF AUTHORTIES	iii
INTEREST OF THE *AMICUS CURIAE*	1
SUMMARY OF THE ARGUMENT	3
ARGUMENT	4
I. THE SEVENTH CIRCUIT'S WEAKENING OF PROTECTION FOR FAMOUS MARKS CONFLICTS WITH THE CONGRESSIONAL MANDATE AND UNDERMINES THE VALUE OF SUCH MARKS	6
A. Antidilution Law Protects The "Uniqueness" Of Famous Marks	7
B. Congress Sought To Preclude "Free Riding" On Famous Marks, Including On The Internet	9
C. The Seventh Circuit Decision Undermines Investment In Famous Marks Contrary To The Intent Of Congress	12
II. THE SEVENTH CIRCUIT TREATS TRADEMARK RIGHTS AS IF THEY WERE MONOPOLY RIGHTS OF THE KIND ACCORDED COPYRIGHTS AND EXTENDS "FAIR USE" SAFEGUARDS BEYOND WHAT CONGRESS SPECIFIED	13
A. Famous Marks Can Lose Their Protection After Abandonment Or Upon Becoming Generic	14
B. Congress Stipulated A Narrow Range Of "Fair Use" Rights Allowing Limited Third Party Use Of Famous Marks	15

TABLE OF CONTENTS – continued

Page

III. "PERCOLATION" IN THIS AREA IS PARTICULARLY DESTRUCTIVE 17

CONCLUSION 18

TABLE OF AUTHORITIES

CASES — Page

Amstar Corp. v. *Domino's Pizza, Inc.*, 615 F.2d 252 (5th Cir. 1980) 15

AT&T Corp. v. *Direct Wired Domains, LLC*, No. 1:02-CV-1835-ODE (N.D. Ga. July 23, 2002) ... 11

Ashley Furniture Indus., Inc. v. *SanGiacomo N.A. Ltd.*, 187 F.3d 363 (4th Cir. 1999) 15

Brookfield Communications, Inc. v. *West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999) 11

Car-Freshener Corp. v. *S.C. Johnson & Son, Inc.*, 70 F.3d 267 (2d Cir. 1995) 16

Clorox Co. v. *Sterling Winthrop, Inc.*, 117 F.3d 50 (2d Cir. 1997) 14

E.I. Du Pont de Nemours & Co. v. *Yoshida Int'l, Inc.*, 393 F. Supp. 502 (E.D.N.Y. 1975) 15

Eldred v. *Ashcroft*, 123 S. Ct. 769 (2003) 13

General Motors Corp. v. *E-Publications LLC*, No. CIV.A. 01-72819, 2001 WL 1798648, (E.D. Mich. Nov. 26, 2001) 11

Moseley v. *V Secret Catalogue, Inc.*, No. 01-1015 (U.S. Mar. 4, 2003) 5, 6, 7, 13

Mishawaka Rubber & Woolen Mfg. Co. v. *S.S. Kresge Co.*, 316 U.S. 203 (1942) 7

PACCAR, Inc. v. *TeleScan Techs., L.L.C.*, 319 F.3d 243 (6th Cir. 2003), *available at* 2003 WL 244803 ..... 10, 16, 17

Panavision Int'l, L.P. v. *Toeppen*, 141 F.3d 1316 (9th Cir. 1998) 10, 11

Pegram v. *Herdrich*, 530 U.S. 211 (2000) 17

People for the Ethical Treatment of Animals v. *Doughney*, 263 F.3d 359 (4th Cir. 2001) 10, 11

Petro Stopping Ctrs., L.P. v. *James River Petroleum, Inc.*, 130 F.3d 88 (4th Cir. 1997) 14

Pharmaceutical Research & Mfrs. of Am. v. *Concannon*, No. 01-188 (U.S. June 28, 2002) 17

TABLE OF AUTHORITIES – continued

	Page
Playboy Enters., Inc. v. *Welles*, 279 F.3d 796 (9th Cir. 2002)	16
Sony Corp. of Am. v. *Universal City Studios, Inc.*, 464 U.S. 417 (1984)	13
In re Trade-Mark Cases, 100 U.S. 82 (1879)	18
U.S. Search, LLC v. *U.S. Search.com Inc.*, 300 F.3d 517 (4th Cir. 2002)	15
United Drug Co. v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918)	13

CONSTITUTION AND STATUTES

U.S. Const. art. I, § 8, cl. 8	4
Federal Trademark Dilution Act of 1995, Pub. L. 104-98, 109 Stat. 985 (codified at 15 U.S.C. §§ 1125, 1127)	3
15 U.S.C. § 1064(3)	14
15 U.S.C. § 1115(b)(4)	16
15 U.S.C. § 1125(c)	6, 9, 14, 16
15 U.S.C. § 1127	14

COURT RULE

Sup. Ct. R. 37	1

LEGISLATIVE HISTORY

H.R. Rep. No. 104-374 (1995)	3, 9, 18
S. Rep. No. 100-515 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577	8, 9
134 Cong. Rec. S5868 (daily ed. May 13, 1988)	8
141 Cong. Rec. S19312 (daily ed. Dec. 29, 1995)	8, 10
145 Cong. Rec. S15019 (daily ed. Nov. 19, 1999)	2

TABLE OF AUTHORITIES – continued

OTHER AUTHORITIES — Page

The Top 100 Brands, Bus. Wk., Aug. 5, 2002 ..... 2, 12
Thomas L. Friedman, *The Lexus and the Olive Tree* (2000) 10
USTA Trademark Review Comm'n, *Report and Recommendations on the United States Trademark System and the Lanham Act*, 77 Trademark Rep. 375 (1987), *reprinted in Trademark Law Revision Act of 1987: Hearing on S. 1883 Before the Subcomm. on Patents, Copyrights, and Trademarks of the Senate Comm. of the Judiciary*, 96th Cong. (1988) 8, 10

SCHOLARLY AUTHORITIES

Colossus: How the Corporation Changed America (Jack Beatty ed., 2001) 2
2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (4th ed. 2001) 16
4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (4th ed. 2001) 8
Frank Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927)... 7

IN THE

Supreme Court of the United States

No. 02-1142

TY INC.,

Petitioner,

v.

RUTH PERRYMAN,

Respondent.

On Petition For a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

BRIEF OF AT&T CORP. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

INTEREST OF THE *AMICUS CURIAE*

AT&T Corp. ("AT&T") is one of the world's premier voice and data communications companies, serving more than 50 million customers, including consumers, businesses and governments.[1] AT&T runs one of the largest and most sophisticated communications networks, providing data, Internet and managed services for the public and private sectors. AT&T also offers local, long distance and Internet services, as well as transaction-based services like prepaid cards, collect calling and directory assistance. With

[1] Pursuant to Rule 37.6 of the Rules of this Court, *amicus* states that no counsel for a party has authored this brief in whole or in part, and that no person or entity, other than the *amicus* or its counsel, has made a monetary contribution to the preparation or submission of this brief.

approximately $37 billion in revenues, AT&T has relationships with about 50 million consumers and 4 million business customers, who depend on AT&T communications and technologies.

AT&T has built its reputation by ensuring that the telecommunication services associated with its name consistently reflect quality and reliability. The AT&T brand signifies the source of the services and connotes a commitment to quality and earned trust. To publicize and build the value of this brand, AT&T engaged in what one commentator notes was "the first, most persistent, and most celebrated of the large-scale institutional advertising campaigns of the early twentieth century." See *Colossus: How the Corporation Changed America* 180 (Jack Beatty ed., 2001). This campaign was one of the first organized efforts to create a public image of a corporation that extended beyond its products or services and created a reputation embodied in the company brand.

As reported annually in *Business Week*, AT&T has consistently been ranked among the most valuable brands in the world by Interbrand, a leading independent brand consultancy. AT&T has been ranked the most valuable telecommunications brand, and the 2002 survey values the AT&T brand at more than $16 billion dollars. See *The Top 100 Brands*, Bus. Wk., Aug. 5, 2002, at 95, 96. It is no exaggeration to say that AT&T's brand remains one of its most valuable corporate assets.

AT&T has brought numerous actions under the Lanham Act, Federal Trademark Dilution Act, Anticybersquatting Consumer Protection Act, and under the Uniform Domain Name Dispute Resolution Policy issued by the Internet Corporation for Assigned Names and Numbers to police and protect its trademarks against misuse in domain names or website content. See, *e.g.*, 145 Cong. Rec. S15019 (daily ed. Nov. 19, 1999) (statement of Sen. Hatch documenting cyber-squatters' unlawful use of AT&T's marks). Therefore,

AT&T has a direct and tangible stake in the development of the proper legal standards under the FTDA, as well as in the efficacy of the remedies available to defend the company's trademarks.

SUMMARY OF THE ARGUMENT

The ruling of the Seventh Circuit substantially undermines the expansive antidilution protections provided for famous marks by the Federal Trademark Dilution Act of 1995, Pub. L. 104-98, 109 Stat. 985 (codified at 15 U.S.C. §§ 1125, 1127) ("FTDA"). The court below formulated a radical approach to trademark dilution that favors ready conversion of famous marks into generic terms in conflict with the true purpose of the antidilution law. Congress designed the FTDA to preclude "the unauthorized use of a famous mark [when it] reduces the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374, at 3 (1995). The FTDA thus protects famous marks from the attempts of free riders "to trade upon the goodwill and established renown of [famous] marks." *Id.*

The Seventh Circuit decision adopts the opposite policy, favoring widespread use of famous marks to permit them to become generic words. The opinion below states: "arming trademark owners to enjoin uses of their mark that, while not confusing, threaten to render the mark generic may therefore not be in the public interest." Pet. App. 10a. The court actually extols the "social benefit" gained when a mark becomes generic – "namely an addition to ordinary language." *Id.* at 9a. Based on this analysis, the Seventh Circuit endorses the use of Petitioner Ty, Inc.'s famous mark by a reseller who has no connection to Ty, and it permits such use not merely on the branded products the reseller offers for sale, but in the name of the business itself. This dramatic narrowing of the rights of those who own famous trademarks is in direct conflict with the extensive antidilution protection that Congress provided.

The decision below also departs from mainstream analysis of the "fair use" doctrine – the statutory doctrine that permits marks to be used without license from the trademark owner only under limited circumstances. Under the opinion below, the limited fair use exception swallows the rule itself. The opinion's fundamental error is to treat trademarks as analogous to copyrights, which (like patents) reward creativity (and with patents, invention) by providing exclusive rights, but only for a finite period before committing the works to the public domain for the common good. Indeed, whereas the temporal limitations of copyright (and patent) protection are constitutionally mandated, U.S. Const. art. I, § 8, cl. 8, trademarks are not so limited by either the Constitution or Congress. Trademarks may be maintained so long as they identify a unique source. The public does not gain by the release of trademarks for general use because their entire purpose is to signify the *unique*, proprietary origin or sponsorship of private goods. The present case is a strong candidate for review because it posits an approach to trademark rights that is in stark conflict with the wishes of Congress. Review is also warranted to assure national uniformity in the protection of nation-wide marks.

ARGUMENT

This case arises on appeal from the district court's grant of summary judgment in favor of Petitioner Ty, Inc. on the ground that Respondent Perryman's use of Ty's famous "Beanies" mark in the name of her business and in her domain name diluted Ty's mark in violation of the FTDA. The Seventh Circuit reversed. The court recognized that the FTDA protects against "blurring" and "tarnishment" of famous marks, but then characterized this case as falling in a distinct, third category of "free ride[r]" cases involving a supposed extension of antidilution law. Pet. App. 4a-5a. The court below analyzed the question before it as whether the FTDA precludes unauthorized resellers of genuine articles

from using the famous marks associated with those goods, even in the name or domain of the reseller's business. See *id.* at 3a. The court held that the FTDA does not "forbid [such] commercial uses" even if they "accelerate the transition from trademarks (brand names) to generic names (product names)." *Id.* at 8a. Indeed, there is a "social benefit, namely an addition to ordinary language" which occurs when marks are made generic. *Id.* at 9a.

This Court's recent decision in *Moseley* v. *V Secret Catalogue, Inc.*, No. 01-1015 (U.S. Mar. 4, 2003), does not resolve or address the issue in this case. In *Moseley*, the Court held that the FTDA requires proof of actual dilution, rather than a mere "likelihood." *Id.* at 14. The question presented in the Petition at issue here does not involve the standard of proof for dilution; it concerns whether unlicensed resellers of goods bearing famous trademarks have the right, as a matter of law, to incorporate the famous marks into the reseller's business name and Internet domain name. See Pet. i. Moreover, the district court below found actual injury, awarding summary judgment to Petitioner on its dilution claim based on a "clear[] lessen[ing of] the capacity of the plaintiff [Ty, Inc.] to distinguish its goods from competitors." Pet. App. 55a. Thus, this is not a "mere mental association" case like *Moseley*. See *Moseley*, No. 01-1015, slip op. at 15 ("the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution").

If the Seventh Circuit's decision is not reversed, resellers will have acquired a new legal right in famous marks that the FTDA does not allow, and the owners of famous marks will be denied their express statutory right to enjoin resellers from "'lessening . . . the capacity of [the] famous mark to identify and distinguish goods or services.'" *Id.* at 15 (requiring evidence of any such lessening) (quoting 15 U.S.C. § 1127). Although the FTDA clearly is designed to expand the protection of famous marks, the Seventh Circuit's

interpretation of that statute will make it more, not less, difficult to protect famous marks in the future.

I. THE SEVENTH CIRCUIT'S WEAKENING OF PROTECTION FOR FAMOUS MARKS CONFLICTS WITH THE CONGRESSIONAL MANDATE AND UNDERMINES THE VALUE OF SUCH MARKS.

In the FTDA, Congress empowered the owners of famous marks to enjoin the commercial use of a mark where such use causes dilution of the mark's distinctive quality.[2] 15 U.S.C. § 1125(c)(1). The Seventh Circuit construed Petitioner's claim as seeking to *extend* "antidilution law to forbid commercial uses that accelerate the transition from trademarks . . . to generic names"; and it concluded that doing so would be inconsistent with "the public interest." Pet. App. 8a-10a. The Seventh Circuit elaborated its unusual thesis that the FTDA does not permit trademark owners to police their marks to prevent their trademarks from becoming generic. *Id.* at 8a-9a. Instead, the court was of the view that there would be a "social benefit" derived from adding famous marks "to ordinary language." *Id.* at 9a-10a. The proposition that a "social benefit" is gained when a famous brand is rendered generic, however, conflicts with the law enacted by Congress, and denies the owners of famous marks – as well as consumers – the protections and benefits Congress intended.

As this Court recently noted, "[n]either the absence of any likelihood of confusion nor the absence of competition" provides a defense to dilution, and the prohibitions against dilution "are not motivated by an interest in protecting consumers." *Moseley*, No. 01-1015, slip op. at 10. Thus, the Seventh Circuit mistakenly elevates a nebulous "public interest," Pet. App. at 10a, above the express rights Congress

---

[2] Damages are available for trademark dilution only to the extent the unauthorized user "willfully" intends to trade on the owner's reputation or cause dilution to the famous mark. 15 U.S.C. § 1125(c)(2).

granted famous trademark owners. This conflicts with the teaching of *Moseley* that "'the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.'" *Moseley*, No. 01-1015, slip op. at 10 (quoting Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 831 (1927)).

The Seventh Circuit's decision warrants review and reversal because it undermines the very ability of the owner of a famous mark to preserve the uniqueness of that mark by enjoining an unauthorized, unrelated reseller from using the famous mark as the reseller's own business and domain name. See Pet. App. at 10a. The ruling thereby materially weakens the FTDA and precludes its intended use when there is a "clear[] lessen[ing of] the capacity of the [trademark owner] to distinguish its goods." *Id.* at 55a.

A. Antidilution Law Protects The "Uniqueness" Of Famous Marks.

Efforts to protect the investments of trademark holders against dilution date back as far as 1927, as brand advertising was beginning. Professor Frank Schechter argued then that coined or unique trademarks should be protected from the "gradual whittling away or dispersion of the identity and hold upon the public mind." Frank Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825 (1927). As this Court recognized in *Moseley*, adopting Schechter's seminal theory, was that the true injury against which antidilution law protects is an attack upon "'the uniqueness of a trademark.'" *Moseley*, No. 01-1015, slip op. at 10.

Famous marks are powerful tools to identify and inspire confidence in products, both old and new, from the same identifiable source. As Justice Frankfurter noted, "[t]he protection of trade-marks is the law's recognition of the psychological function of symbols." *Mishawaka Rubber & Woolen Mfg. Co.* v. *S.S. Kresge Co.*, 316 U.S. 203, 205 (1942). They achieve a "psychological grip" on consumers

that generates "loyalty and good will." USTA Trademark Review Comm'n, *Report and Recommendations on the United States Trademark System and the Lanham Act*, 77 Trademark Rep. 375, 455 (1987) ("*USTA Trademark Review*"), *reprinted in Trademark Law Revision Act of 1987: Hearing on S. 1883 Before the Subcomm. on Patents, Copyrights, and Trademarks of the Senate Comm. on the Judiciary*, 96th Cong. 177 (1988) ("*Trademark Hearing*").

As the USTA study recognized, while famous marks are "enormously valuable" they are also "fragile assets, susceptible to irreversible injury from promiscuous use." See *id.* at 455, *reprinted in Trademark Hearing* 177. This study formed the modern scholarly basis for the FTDA and synthesized the views of hundreds of trademark practitioners, numerous eminent scholars and more than 50 organizations, which included the United States and foreign governments. See 134 Cong. Rec. S5868 (daily ed. May 13, 1988) (statement of Sen. DeConcini); S. Rep. No. 100-515, at 2-3 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5578-79.

The FTDA, adopted in 1996, is the direct descendent of the 1987 proposal of the USTA's Trademark Review Commission.[3] After years of debate, the antidilution recommendations of the Commission were embodied in the FTDA, which enjoyed the support of the U.S. Patent and Trademark Office, the Department of Commerce, and the International Trademark Association. See 141 Cong. Rec. S19312 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy).

---

[3] Professor McCarthy has noted the usefulness of the legislative history from the 1987 USTA Commission Report and the 1988 Senate Judiciary Committee report in understanding the FTDA. *See* 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:87, at 24-142 (4th ed. 2001). The United States Trademark Association (USTA) is now known as the International Trademark Association (INTA).

B. Congress Sought To Preclude "Free Riding" On Famous Marks, Including On The Internet.

In adopting the FTDA, Congress did not seek to equate dilution with infringement, but rather to recognize an independent protection that "applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374, at 3. The FTDA thus protects famous marks from attempts of free riders "to trade upon the goodwill and established renown of [the famous] marks." *Id.*

Given the strength and breadth of these protections, Congress limited them to a narrow class of marks. As the Senate noted, the intention was to "create[] a highly selective federal cause of action to protect . . . marks that are truly famous from dilution of the distinctive quality of the mark." S. Rep. No. 100-515, at 7, *reprinted in* 1998 U.S.C.C.A.N. at 5583. Marks only receive the FTDA's powerful protection if they are unquestionably prominent and renowned and satisfy the FTDA's detailed criteria.[4]

The FTDA's criteria for distinguishing whether a mark is sufficiently "distinctive and famous" to warrant antidilution protection expressly envision that the value of a brand varies directly with the amount of effort put into generating awareness and recognition of the brand. The Seventh Circuit, however, took the opposite approach: the more well known the mark, the less it is entitled to protection from being absorbed into common language.

The USTA Review Committee specifically considered and rejected the policy concerns regarding potential "monopolization of language" that are at the heart of the

---

[4] The FTDA requires consideration of the distinctiveness of the mark, the extent of its use, the extent of the advertising of the mark, the geographical coverage of the mark, the channels of trade in which it is used, the nature of similar marks, and whether it is a registered mark. *See* 15 U.S.C. § 1125(c)(1).

Seventh Circuit's decision. *USTA Trademark Review*, *supra*, at 457, *reprinted in Trademark Hearing* 179. As the Committee noted, "[t]hird parties have an infinite number of trademark choices available. Confining dilution protection to famous trademarks will have little or no impact on other businesses. All new entrants need to do is compete fairly using marks which cause neither likelihood of confusion nor dilution." *Id.*

Moreover, the FTDA was passed with a view to the precise Internet free-riding that the Seventh Circuit did not find worthy of meaningful protection. As Senator Leahy stated, "this antidilution statute [the FTDA] can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others." 141 Cong. Rec. S19312 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy). Indeed, globalization and the Internet have heightened the value of a strong brand identification to enable consumers around the world to discern the source of products and services offered for sale. As consumers now seek products from well beyond their local markets, "having a strong brand that conjures up a strong image with customers is essential." See Thomas L. Friedman, *The Lexus and the Olive Tree* 243 (2000).

The Seventh Circuit particularly failed to recognize the new realities of the Internet. As was clear to the Sixth Circuit in *PACCAR, Inc.* v. *TeleScan Technologies, L.L.C.*, domain names essentially function as trademarks and "can and do communicate information as to the source or sponsor of the web site." 319 F.3d 243 (6th Cir. 2003), *available at* 2003 WL 244803, at *4; see also *People for the Ethical Treatment of Animals* v. *Doughney*, 263 F.3d 359, 366 (4th Cir. 2001). As a result of the vast popularity of the Internet, consumers expect to find a company on the Internet at a domain name address comprised of the company's name or mark. See *Panavision Int'l, L.P.* v. *Toeppen*, 141 F.3d 1316, 1327 (9th Cir. 1998) ("We reject [the] premise that a domain name is

nothing more than an address. A significant purpose of a domain name is to identify the entity that owns the web site.").[5] In short, "domain names communicate information as to source." *Brookfield Communications, Inc.* v. *West Coast Entm't Corp.*, 174 F.3d 1036, 1055, 1066 (9th Cir. 1999).

Thus, a company's use of another party's marks in her own domain name creates uncertainty about who is affiliated with whom, and undermines the actual value of the mark by diverting the initial interest of the consumer away from the trademarked goods and services of the owner of the famous mark. This risk is not hypothetical. There is a significant, and highly pernicious, phenomenon on the Internet where domain names are registered in bad faith for the purpose of exploiting famous trademarks and their associated goodwill in order to divert Internet traffic to the registrants' own websites. See *People for the Ethical Treatment of Animals*, 263 F.3d at 367-69.

Although the Seventh Circuit below acknowledges this danger, Pet. App. 8a, its decision diminishes the ability of mark holders to protect against it. Indeed, the Seventh Circuit's approach could complicate what district courts have viewed as a straightforward application of law. For example, in *General Motors Corp.* v. *E-Publications LLC*, No. Civ. A. 01-72819, 2001 WL 1798648, at *3 (E.D. Mich. Nov. 26, 2001), the court prohibited the use of "Restore GM" and "Restore GM Muscle" in the business name and domain names of an unauthorized third party specializing in GM parts, including on dilution grounds under the FTDA. Similarly, in *AT&T Corp.* v. *Direct Wired Domains, LLC*, No.

---

[5] In *Panavision*, the Ninth Circuit stated: "A customer who is unsure about a company's domain name will often guess that the domain name is also the company's name. [A] domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base." 141 F.3d at 1327 (alteration in original) (citation and internal quotation marks omitted).

1:02-CV-1835-ODE (N.D. Ga. July 23, 2002), *amicus* AT&T challenged, on FTDA and other grounds, the right of an unauthorized reseller to use the Internet domain name <ATT-card.com> to market prepaid AT&T phone cards. That case resulted in the entry of a permanent injunction by consent. The Seventh Circuit's decision, however, runs counter to these and many other examples, and it will make future protection of famous marks on the Internet more difficult. The law simply does not support such undercutting of the rights of famous mark holders.

C. The Seventh Circuit Decision Undermines Investment In Famous Marks Contrary To The Intent Of Congress.

The powerful statutory protection Congress provided for famous marks is entirely commensurate with the staggering size of the investment that business makes in such marks. According to the August 2002, *Business Week* survey of the Top 100 Brands, the top 10 brands alone were valued at a total of more than $350 billion dollars. See *The 100 Top Brands*, Bus. Wk., Aug. 5, 2002, at 95, 95-96.

The Seventh Circuit's decision, however, would produce a legal regime in which a trademark owner – unable to control the operations of third parties – is powerless to prevent the public from coming to associate the third party with the famous mark. This approach attacks the source-identifying power of famous marks, foments greater marketplace uncertainty, imposes higher information transaction costs, and renders advertising expenditures less effective. While the opinion below contends that forbidding the respondent from using "Beanies" in her "business name *and* advertising" is like "forbidding a used car dealer who specializes in selling Chevrolets to mention the name in his advertising," Pet. App. 7a (emphasis added), the analogy fails. The Respondent here has used Ty's marks not just to identify products, but in the very business name and Internet domain name by which she holds herself out to the public.

II. THE SEVENTH CIRCUIT TREATS TRADEMARK RIGHTS AS IF THEY WERE MONOPOLY RIGHTS OF THE KIND ACCORDED COPYRIGHTS AND EXTENDS "FAIR USE" SAFEGUARDS BEYOND WHAT CONGRESS SPECIFIED.

The Seventh Circuit's rationale misapprehends the protections afforded under the FTDA by equating them with the monopolistic or exclusionary rights provided by copyright law.[6] See Pet. App. 8a. These fears are unfounded and do not apply to trademark rights. Trademark law simply does not create monopoly rights.[7] In *Moseley*, this Court recognized that the law of trademarks is grounded in an entirely different concern; it is part of a broader law of unfair competition. *Moseley*, No. 01-1015, slip op. at 9. Moreover, this Court recognized well prior to the Lanham Act's enactment in 1946 that: "In truth, a trademark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol – a commercial signature – upon the merchandise or the package . . . ." *United Drug Co.* v. *Theodore Rectanus*

---

[6] Copyrights enjoy monopoly privileges that, while not as broad as under patent law, *see Eldred* v. *Ashcroft*, 123 S. Ct. 769, 787 (2003), are "intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired." *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

[7] Trademarks, unlike patents and copyrights, are not restricted by the "limited Times" provision of the Constitution. U.S. Const. art. I, § 8, cl. 8, and are not subject to the same balancing of incentives that is appropriate "[t]o promote the Progress of Science and useful Arts." *Id. See generally Eldred* v. *Ashcroft*, 123 S. Ct. 769 (2003); *see also Sony Corp.*, 464 U.S. at 439 & n.19 (discussing "historic kinship" between copyright and patent law and noting that this Court has "consistently rejected the proposition that a similar kinship exists between copyright law and trademark law").

Co., 248 U.S. 90, 98 (1918). This remains true today. "As other courts and commentators have observed, trademarks are by their nature non-exclusionary. A trademark, unlike other intellectual property rights, does not confer a legal monopoly on any good or idea; it confers rights to a name only." *Clorox Co.* v. *Sterling Winthrop, Inc.*, 117 F.3d 50, 56 (2d Cir. 1997). And thus under trademark law a rose may go by another name.

The radical regime forged by the court below is neither consistent with law, nor even necessary to preserve the ability of competitors and consumers to use language freely. Trademark law already protects generic words from acquisition or control; marks also become publicly available if they are abandoned; and they are always available for fair use.[8] To be sure, the FTDA does not permit "producers [to] own their aftermarkets," Pet. App. 8a, nonetheless and contrary to the Seventh Circuit's ruling, a central purpose of the Act is to permit trademark owners to prevent the improper use of their marks by others, including those who seek to resell their goods or services.

A. Famous Marks Can Lose Their Protection After Abandonment Or Upon Becoming Generic.

A primary limitation on trademark protections is that a mark may be abandoned or lost through non-use, uncontrolled licensing or insufficient enforcement by the trademark owner, or through use of the mark as a generic term by the public or by the trademark owner itself.[9] Thus, for example, the public

---

[8] Non-commercial and journalistic usage of famous marks is also not actionable under the FTDA. 15 U.S.C. § 1125(c)(4)(B) &(C).

[9] *See, e.g.*, *Petro Stopping Ctrs., L.P.* v. *James River Petroleum, Inc.*, 130 F.3d 88, 93-94 (4th Cir. 1997) (registered, "incontestable" marks deemed weak in light of third-party use); 15 U.S.C. § 1127 (a mark may be "abandoned" through the owner's "acts of omission as well as commission"); *see also* 15 U.S.C. §§ 1064(3) (registration may be cancelled [a]t any time" if it has become the generic name for all or some of the goods or services for which it is registered) and 1127 (a mark may

has an "inherent right to call a product or service by its generic name," *U.S. Search, LLC* v. *U.S. Search.com, Inc.*, 300 F.3d 517, 523 (4th Cir. 2002).

In contrast to the treatment of negligent trademark owners who inadequately police the use of a mark, see, *e.g.*, *Amstar Corp.* v. *Domino's Pizza, Inc.*, 615 F.2d 252, 259-60 (5th Cir. 1980), the law – at least before the decision below – rewards owners of famous marks who are vigilant in monitoring and deterring generic and unauthorized use. See, *e.g.*, *E.I. Du Pont de Nemours & Co.* v. *Yoshida Int'l, Inc.*, 393 F. Supp. 502, 512 (E.D.N.Y. 1975) ("[S]trength is primarily a question of degree . . . including an appraisal of the owner's policing efforts to ensure that whatever distinctiveness or exclusivity has been achieved is not lost through neglect, inattention, or consent to infringing uses."). This clear mandate for policing and investing in a mark is completely eviscerated by the Seventh Circuit's view that third parties are permitted to hasten the "genericide" of a famous mark with impunity while free riding on that very mark to promote their own business identity. Whereas traditional genericism is determined by public use, the Seventh Circuit improperly allows impairment of trademark rights at the hands of competitors and unauthorized resellers.

B. Congress Stipulated A Narrow Range Of "Fair Use" Rights Allowing Limited Third Party Use Of Famous Marks.

The Seventh Circuit's interest in providing for an expanded range of words available for public use is already fully addressed in the statute under the rubric of "fair use." "Fair

---

be "abandoned" when, *inter alia*, "any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark"); *Ashley Furniture Indus., Inc. v. SanGiacomo N.A. Ltd.*, 187 F.3d 363, 376 (4th Cir. 1999) (trade dress rights terminate if abandoned or if the trade dress becomes generic through public usage).

use" includes unlicensed use of marks to describe or identify the goods or services one offers for sale. "Classic fair use" involves use by a third party of a descriptive "name, term, or device . . . otherwise than as a mark . . . fairly and in good faith only to describe the goods or services of [the defendant], or their geographic origin." 15 U.S.C. § 1115(b)(4). The mark that is the subject of "fair use" is not used for its source-identifying, or secondary meaning, sense, but merely to describe the attributes or characteristics of a product or service. See *id.*[10]

"Nominative fair use" is also permitted. This entails use of a mark in a trademark – source-identifying – sense for comparative advertising or the bona fide resale of branded goods or services. See *Playboy Enters., Inc.* v. *Welles*, 279 F.3d 796, 801 (9th Cir. 2002). For example, the FTDA provides that "[f]air use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark" is not actionable. 15 U.S.C. § 1125(c)(4). But the parameters of nominative fair use are carefully circumscribed: No more of the owner's mark may be used than is necessary, nor may it be used in any way to suggest authorization, sponsorship or affiliation. See, *e.g.*, *PACCAR*, 2003 WL 244803, at *10.

Under the doctrine of "fair use," federal law provides that the reseller of a product has the limited right fairly and in good faith to inform consumers of the product that he or she is selling, and indicate the brand of the product being re-sold.

---

[10] *See, e.g., Car-Freshener Corp.* v. *S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995) ("although trademark rights may be acquired in a word or image with descriptive qualities, the acquisition of such rights will not prevent others from using the word or image in its descriptive sense, and not as a trademark"); 2 McCarthy, *supra*, § 11:45, at 11-79 ("A junior user is always entitled to use a descriptive term in good faith in its primary, descriptive sense other than as a trademark. . . . in the interest of free competition.").

See *id.* If the Seventh Circuit's opinion were so limited, Respondent would be able to identify and describe the products she offers for sale without violating the FTDA. But fair use rights cannot and do not permit use of the mark by a third party as its own mark or name. The Seventh Circuit improperly turned a limited statutory *exception* into the controlling *rule*.

III. "PERCOLATION" IN THIS AREA IS PARTICULARLY DESTRUCTIVE.

This Court often enjoys the luxury of being able to allow issues to "percolate" among the courts of appeals in order to ensure that each case heard by the Court properly frames a particular question and that the issues will be aired fully for the Court's consideration. But the Court routinely hears cases even if the precise issue has not been considered by more than one court of appeals. See, *e.g.*, *Pharmaceutical Research & Mfrs. of Am.* v. *Concannon*, No. 01-188 (U.S. June 28, 2002) (order granting petition for a writ of certiorari); *Pegram* v. *Herdrich*, 530 U.S. 211, 217-18 (2000). This is because the adverse consequences of delay outweigh the marginal role of "percolation." This is such a case. The question presented in the Petition should not remain unresolved. Its rationale is inconsistent with the rulings of numerous circuit courts, see Pet. 7-15, and the case is ripe for this Court's review now. Famous marks, by the very nature of their fame, operate without respect to the boundaries of the circuit courts, and the dilution of a mark in one circuit erodes the distinctiveness of that same mark in other circuits. This is especially true, of course, with famous marks conveyed on Internet websites and domain names.

Congress adopted the FTDA explicitly because it saw state variance in the protections afforded to trademarks causing "unpredictable and inadequate results for the trademark owner," and thereby impeding productive investment and creating unfounded danger to multi-billion dollar assets. See

H.R. Rep. No. 104-374, at 3. The FTDA thus expressly promoted "uniformity and consistency" in the protection of famous marks, because the opposite "simply encourages forum-shopping and increases the amount of litigation." *Id.* at 4. Indeed, for more than a century, this Court has recognized that trademarks "not only admit, but in order to [ensure] their efficiency require, uniformity of regulation." *In re Trade-Mark Cases*, 100 U.S. 82, 87 (1879). The unique theory of the Seventh Circuit, threatens to undo the work of Congress, which this Court and other circuit courts of appeals have preserved.

CONCLUSION

The petition for a writ of certiorari to the United States Seventh Circuit for the Seventh Circuit should be granted.

Respectfully submitted,

LAURA A. KASTER
FRANK L. POLITANO
MICHELE A. FARBER
AT&T CORP.
One AT&T Way
Bedminster, N.J. 07921
(908) 532-1860

CARTER G. PHILLIPS
ALAN CHARLES RAUL*
JOSEPH V. JEST
EDWARD R. MCNICHOLAS
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

Counsel for Amicus Curiae

* Counsel of Record

March 6, 2003